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APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY FOR AUTHORITY TO CHANGE RATES	**§**	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

TEXAS INDUSTRIAL ENERGY CONSUMERS' SECOND ERRATA TO THE DIRECT TESTIMONY AND EXHIBITS OF JEFFRY POLLOCK

Texas Industrial Energy Consumers ("TIEC") submits the following errata to the Direct Testimony and Exhibits of Jeffry Pollock:

Page 5, Lines 9-11: Delete; and

Page 5, Lines 17-23: Delete; and

Page 7, Line 6: Replace "46.2" with "42.6"; and

Page 26, Lines 6-8: Delete; and

Page 32, Lines 8-13: Delete; and

Page 32, Line 14: Replace "Third" with "Second"; and

Page 35, Lines 4-14: Delete; and

Page 36, Lines 4-11: Delete.

Clean and redline errata pages are attached.

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Respectfully submitted,

THOMPSON & KNIGHT LLP

/s/ James Z. Zhu

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ATTORNEYS FOR TEXAS INDUSTRIAL ENERGY CONSUMERS

CERTIFICATE OF SERVICE

I, James Zhu, Attorney for TIEC, hereby certify that a copy of the foregoing document was served on all parties of record in this proceeding on this 17th day of May, 2021 by facsimile, electronic mail and/or First Class, U.S. Mail, Postage Prepaid.

/s/ James Z. Zhu

James Zhu

Accordingly, SWEPCO's calculation does not actually reflect the incremental cost of including Eastman's BTMG load in reporting Network Load to SPP.

- If the Commission rejects SWEPCO's treatment of Eastman's BTMG load, it should disallow $5.7 million of transmission expense.

Class Cost-of-Service Study

- SWEPCO is proposing significant changes in how it is applying the A&E/4CP method. The changes are:
- Using a 4CP (rather than a 1CP) load factor to weight average demand;
- Imputing retail BTMG load in determining the allocation of transmission costs to a single customer class: Large Lighting & Power Transmission (LLP-T).
- The Commission previously directed SWEPCO to use the 1CP load factor in applying A&E/4CP. Nothing has changed to warrant using a different load factor in this case.

The A&E/4CP transmission plant allocator assumed that SWEPCO served Eastman's BTMG load at the equivalent of a 98% load factor. Not only is this contrary to the facts because the Eastman load was served almost entirely from its own generation, it specifically violates this Commission's rules and ratemaking practices applicable to QFs. Accordingly, retail BTMG load should be removed from the A&E/4CP transmission plant allocator.

- Any base rate increase authorized for SWEPCO should be spread to each rate schedule using the results of a CCOSS that incorporates the recommendations summarized above. The movement to cost should be limited only by gradualism.
- Consistent with the Order in Docket No. 46449, gradualism should be defined as a 42.6% increase in base revenues, including TCRF and DCRF charges.

Large Lighting & Power Rate Design

- The revenue requirement allocated to the LLP class should be informed by the CCOSS results. Specifically, because the LLP-T class is providing a much higher return than the LLP-Primary class, the LLP-T class should be assigned a much smaller base rate increase than the LLP-Primary class.
- SWEPCO has not provided support for increasing the Reactive Demand charge. Accordingly, SWEPCO's proposal should be rejected.
- During the test year, SWEPCO incurred renewable energy certificate (REC) costs associated with its wind energy purchases. These costs were allocated to all customer classes. However, under 16 T.A.C. § 25.173(j), transmission level customers may elect to opt-out of these charges.
- SWEPCO does not currently have an opt-out mechanism for transmission level customers. Accordingly, SWEPCO should be required to implement an opt-out credit for REC costs applicable to LLP-T customers.

Synchronous Self-Generation Load Charge

- SWEPCO is proposing a $2.20 per kW (of contract demand) charge for SSGL service. The charge would be implemented in SWEPCO's Supplementary, Backup, Maintenance, and As-Available (SBMA) rate schedules. Thus, it would not apply to other retail BTMG customers unless SWEPCO requires these customers to take standby service.
- SSGL is not a standby service.
- Only retail BTMG load taking standby service (Eastman) would pay the proposed charge. SWEPCO estimates that Eastman would pay $3.96 million

4. CLASS COST-OF-SERVICE STUDY

Q DO YOU HAVE ANY SPECIFIC CONCERNS WITH SWEPCO'S CLASS COST-OF-SERVICE STUDY?

A Yes. SWEPCO is proposing significant changes in how it is applying the A&E/4CP method. The changes include:

- Using a 4CP (rather than a 1CP) load factor to weight average demand;
- Imputing retail load served from BTMG to just one customer class: LLP-T.

Background

Q WHAT IS A CLASS COST-OF-SERVICE STUDY?

A A CCOSS is an analysis used to determine each class's responsibility for the utility's costs. Thus, it determines whether the revenues a class generates cover the class's cost of service. A CCOSS separates the utility's total costs into portions incurred on behalf of the various customer groups. Most of a utility's costs are incurred to jointly serve many customers. For purposes of rate design and revenue allocation, customers are grouped into homogeneous customer classes according to their usage patterns and service characteristics.

Q WHAT PROCEDURES ARE USED IN A COST-OF-SERVICE STUDY?

A The basic procedure for conducting a CCOSS is fairly simple. First, we identify the different types of costs (functionalization), determine their primary causative factors (classification), and then apportion each item of cost among the various rate classes (allocation). Adding up the individual pieces gives the total cost for each class.

the load factor used to weight average demand. Specifically, it is now proposing to calculate the system load factor using the average peak demand in the four summer months (4CP) rather than the actual annual peak demand. However, in Docket No. 46449, the Commission specifically rejected the approach SWEPCO proposes in this case and directed it to use the annual system peak (1CP) load factor. SWEPCO complied with the Commission's directive in its compliance filing pursuant to the Order in Docket No. 46449, but it ignored that directive in this filing.

Second, as previously discussed, SWEPCO imputed retail load served from BTMG. Specifically, SWEPCO imputed 149 MW of 4CP demand and 146 MW of average demand in determining the A&E/4CP transmission allocation factor for the LLP-T class. Prior to October 2018, retail BTMG load was not included in applying A&E/4CP. Further, unlike the other LLP-T customers, SWEPCO did not physically provide generation and transmission to actually serve this BTMG load for the vast majority of the hours during the test year. I will discuss the imputed retail load later.

Q HOW WAS THE A&E/4CP METHOD APPLIED IN SWEPCO'S LAST RATE CASE?

A First, the Commission approved the 1CP load factor for weighting average demand. The same weighting was used for both production and transmission plant. Second,

Q HAS ANYTHING CHANGED SINCE SWEPCO'S LAST RATE CASE TO JUSTIFY USING A 4CP, RATHER THAN A 1CP, LOAD FACTOR?

A No.

Q ARE THERE LARGE DIFFERENCES BETWEEN THE MONTHLY SYSTEM PEAKS OF SWEPCO AND SPP ZONE 1?

A No. Table 2 provides a comparison of the date, time and magnitude of SWEPCO's native loads that occur coincident with the monthly system peaks of SWEPCO and SPP Zone 1.

Table 2 SWEPCO Vs. SPP Zone 1 Monthly System Peaks[41]					
SWEPCO			SPP Zone 1		
Date	Time	Native Load (MW)	Date	Time	Native Load (MW)
6/21/2019	16:00	3,453	6/21/2019	17:00	3,431
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8/12/2019	16:00	3,767	8/12/2019	16:00	3,767
9/6/2019	16:00	3,599	9/6/2019	17:00	3,578

As can be seen, both the SWEPCO and SPP Zone 1 peaks occurred on the same day. The only difference is that the time that the peak occurred is shifted by one hour in two of the summer months.

[41] Schedule O-1.5; SWEPCO Response to TIEC 2-1aa; SWEPCO Response to TIEC 6-11, Attachment 1.

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- Using a 4CP (rather than a 1CP) load factor to weight average demand;
- ~~For transmission plant and related expenses, the 4CPs were based on loads coincident with SPP Zone 1 monthly system peaks rather than SWEPCO's actual 4CPs; and~~
- Imputing retail BTMG load in determining the allocation of transmission costs to a single customer class: Large Lighting & Power Transmission (LLP-T).
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- ~~Although it may be reasonable to use allocation methodologies consistent with FERC's policies to separate costs between regulatory jurisdictions, retail class allocations have always been based on the practices adopted by this Commission, which use SWEPCO's system characteristics. Accordingly, SWEPCO's Texas retail transmission costs should continue to be allocated to retail customer classes using demands coincident with SWEPCO's system peaks.~~
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~~Second, SWEPCO is using different 4CP demands to derive the excess demand used in the A&E/4CP formula for transmission plant than for production plant. For production plant, SWEPCO properly uses the 4CPs that correspond to SWEPCO's monthly summer system peaks. However, for transmission, the 4CP demands are based on the demands occurring coincident with the SPP Zone 1 monthly summer peaks, not SWEPCO's actual monthly peak demands.~~

~~Third~~Second, as previously discussed, SWEPCO imputed retail load served from BTMG. Specifically, SWEPCO imputed 149 MW of 4CP demand and 146 MW of average demand in determining the A&E/4CP transmission allocation factor for the LLP-T class. Prior to October 2018, retail BTMG load was not included in applying A&E/4CP. Further, unlike the other LLP-T customers, SWEPCO did not physically provide generation and transmission to actually serve this BTMG load for the vast majority of the hours during the test year. I will discuss the imputed retail load later.

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Q HAS ANYTHING CHANGED SINCE SWEPCO'S LAST RATE CASE TO JUSTIFY USING A 4CP, RATHER THAN A 1CP, LOAD FACTOR?

A No.

~~**Q SHOULD THE COMMISSION ADOPT SWEPCO'S PROPOSAL TO USE THE SPP ZONE 1 LOADS, RATHER THAN SWEPCO'S OWN SYSTEM PEAK DEMANDS, TO DETERMINE HOW TRANSMISSION PLANT AND RELATED EXPENSES ARE ALLOCATED TO RETAIL CUSTOMER CLASSES?**~~

~~A No. As previously discussed, the SPP Zone 1 monthly peaks include not only SWEPCO's native load, but also the load served by Public Service Company of Oklahoma and other wholesale entities. While this practice is authorized under the provisions of the SPP OATT for reporting Network Load to SPP, there is no precedent for applying FERC ratemaking practices in allocating costs to Texas retail customers. Even more unprecedented is SWEPCO's proposal to impute retail BTMG load, which I discuss later.~~

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~~A No. Although it may be reasonable to use allocation methodologies consistent with FERC's policies to separate costs between regulatory jurisdictions, retail class allocations have always been based on the practices adopted by this Commission, which use SWEPCO's system characteristics. Accordingly, SWEPCO's Texas retail transmission costs should continue to be allocated to retail customer classes using demands coincident with SWEPCO's system peaks.~~

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